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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, June 3

NIKKEI (Page 2) (Full)

June 4, 2009

07:48 Took a walk around the official residence.
10:01 National mayors' meeting at Grand Prince Hotel Akasaka.
10:47 Met with former Finance Minister Nukaga at the Kantei.
11:04 Met Miss Iris Haruka Motoya from Itako City, Ibaraki
Prefecture. Nukaga was present. Then met with Lower House members
Seiji Nakamura and Chiken Kakazu, and Itoman City Mayor Uehara.
12:52 Met with Lower House member Gaku Hashimoto.
13:00 Met with Chief Cabinet Secretary Kawamura and Deputy Chief
Cabinet Secretary Uruma, followed by executive officer Endo of the
new sports promotion law enactment project team of the Diet members'

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caucus supporting sports. Kawamura was present.

14:25 Met with Lower House member Shunichi Suzuki.
15:02 Met with Chairman Hidehiro Ami of the Kanuma Azalea Bonsai
Exports Promotion Council. Former justice minister Moriyama and
Lower House member Koya Nishikawa. Then met with Kawamura.
15:32 Taping to invite the Olympic Games to Tokyo. Then met with
Finance Minister Yosano, Vice Finance Minister Sugimoto, Budget
Bureau Director General Tango and Tax Bureau Director General Kato.
17:06 Space-related event by astronaut Chiaki Mukai. Then
communicated with astronaut Koichi Wakata, now staying the
International Space Station. Then met with Vice Election Committee
Chairman Suga.
18:26 Council on Economic and Fiscal Policy meeting. Agriculture
Minister Ishiba and Kawamura remained.
20:15 Dined with his secretary at a Chinese restaurant in Grand
Prince Hotel Akasaka.
21:36 Met his secretary at Imperial Hotel's bar "Golden Lion."
22:48 Arrived at the official residence.

4) LDP panel OK's enemy base strike option

TOKYO SHIMBUN (Page 2) (Full)

June 4, 2009

The ruling Liberal Democratic Party yesterday held a meeting of its defense division's defense policy subcommittee to discuss the government's plans to revise the National Defense Program Guidelines late this year. In the meeting, the subcommittee approved a policy proposal that features acquiring the capability of striking enemy bases, such as attacking ballistic missile launch pads before the enemy launches missiles. The LDP, with its defense division's approval, will make this policy proposal to the prime minister's office.

The original wording was modified in the approved policy proposal. In the modified policy proposal, "enemy base" is expressed as "rear base," weakening the tone used in the original draft proposal. Meanwhile, the modified proposal paper suggests that Japan should aim for "acquiring the possibility of striking rear bases under cooperative arrangements between Japan and the United States." This is intended to prevent the wording from being interpreted as attempting to have attack capabilities of Japan's own.

In yesterday's meeting of the subcommittee, concerns were voiced from among its members about the advocacy of striking enemy bases. "This may cause other countries to misunderstand that Japan will try for arms expansion," one member said. Another member said, "This is too hasty an argument that ignores public consensus for efficient defense capabilities." There was also an objection to the policy proposal's use of a different phrase like "rear base." Concerning this wording, one of the subcommittee's members argued, "Such trickery in the wording will bring about a sense of distrust from other countries."

The subcommittee, based on these arguments, may revise the policy proposal's wording before it is presented to the prime minister's

office.

5) LDP to propose enemy base strike option

SANKEI (Page 5) (Abridged)
June 4, 2009

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The ruling Liberal Democratic Party yesterday held a meeting of its defense division's defense policy subcommittee, with Hiroshi Imazu presiding. The subcommittee worked out a draft policy proposal concerning the government's plans to revise the National Defense Program Guidelines late this year. The policy proposal paper suggests the need for Japan to acquire the capability of striking enemy bases, bearing in mind North Korea's repeated nuclear tests and ballistic missile launches. The policy proposal also calls for the government to retract its plans to cut back on defense spending and defense capabilities. In addition, it insists that the government should maintain and expand its defense spending and the Self-Defense Forces' manning level. The LDP will shortly submit the policy proposal paper to the prime minister's office and the Defense Ministry. The focal point is how far the government will accept the policy proposal.

In concrete terms, the policy proposal paper suggests the need to introduce sea-launched cruise missiles, or SLCM for short, as one possible option of striking enemy bases (missile-launching rear bases). It says: "Japan should have the capability of striking missile-launching rear bases within the scope of its defense-only posture and "should establish an even stronger cooperative setup between Japan and the United States" in tandem with the U.S. military's intelligence and strike capability.

6) China envoy checks preemptive strike calls

SANKEI (Page 5) (Full)
June 4, 2009

In connection with North Korea's nuclear testing, there are now arguments in Japan insisting on the need for Japan to strike missile sites targeted at Japan or to go nuclear. Chinese Ambassador to Japan Cui Tiankai, meeting Japanese reporters at the Chinese embassy in Tokyo yesterday, checked these arguments. Cui said: "The tone of an argument like this will not be helpful at all to resolve immediate issues. It will rather bring about negative effects to Japan's interests. I hope it will not affect Japan's official standpoint and policy."

7) PRC ambassador: Resolve DPRK issue "through dialogue"

NIKKEI (Page 2) (Full)
June 4, 2009

Chinese ambassador to Japan Cui Tiankai met Democratic Party of Japan (DPJ) President Yukio Hatoyama at the party's headquarters on June 3. Regarding North Korea's nuclear issue, Cui said that, "We must negotiate through dialogue. This is not an issue where taking a tough stance will suffice," conveying a negative view on imposing stronger sanctions. On the question of visits to the Yasukuni Shrine, Hatoyama mentioned that, "I will not make a visit if I become prime minister." Cui replied that, "The DPJ's interpretation of history so far is correct."

8) LDP subpanel approves National Defense Program Guidelines revision plan

MAINICHI (Page 5) (Full)
June 4, 2009

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The Liberal Democratic Party (LDP) National Defense Division defense policy subcommittee presented yesterday a set of revisions to its

original proposal produced in the previous meeting on May 25 for the National Defense Program Guidelines to be revised by the government at the end of the year. The phrase "to establish a Japan-U.S. cooperative system" was added to the original proposal in connection with the possession of capabilities to attack enemy bases based on opinions voiced in the previous meeting. The need to maintain and increase the nation's defense spending is also specified in the new report. The subcommittee approved the revision plan. It plans to present it to the prime minister after the party makes a formal decision possibly next week.

The original plan stipulated the need to possess capabilities to attack enemy bases. The phrase "to establish a stronger Japan-U.S. cooperative system combining with the U.S. military's information and strike power" was added to the original proposal. LDP Foreign Affairs Research Commission Chairman and former vice president Taku Yamasaki expressed a cautious view as in the previous meeting. He said: "Are we going to destroy all 200 Nodong missiles in North Korea? (That would require such equipment) as bombers and aircraft carriers, in addition to Tomahawk missiles. Such is difficult in reality." But the revised plan was endorsed by a majority approval.

9) Government has strong interest in whether DPRK nuclear test, missile launches meant to chalk up achievements for third son as successor

YOMIURI (Page 2) (Full)
June 4, 2009

The government is showing strong interest in widespread reports that Kim Jong Un, 26, the third son of North Korea's General Secretary Kim Jong Il is likely to become his successor. This is because the DPRK's nuclear test and missile launches, which have antagonized the international community, might have been aimed at chalking up achievements to prepare for the succession process. The government is wary that North Korea may ignore the UN Security Council resolution and continue in its current behavior.

At a news conference on June 3, Ministry of Foreign Affairs (MOFA) spokesman Kazuo Kodama stated: "We have a very strong interest in the domestic political situation in North Korea and will continue to gather information and analyze such."

The view that Jong Un will be the likely successor of Kim Jong Il is now also widely accepted in Japan. A government source revealed that, "We obtained information from several foreign government sources that the third son will be the successor."

Since May, the DPRK has mobilized its people in a campaign called "150-day battle" to rehabilitate the economy. Japanese government officials believe that this campaign is also related to preparations for the succession. There is strong concern that, "North Korea may embark on such things as launching ballistic missiles and nuclear tests until around October" (Ministry of Defense source).

However, the government does not possess its own information on Jong Un, including on what sort of a person he is. The truth of the matter is that "there is no way to confirm whether he has indeed been selected as the successor" (senior MOFA official).

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10) Real estate firm files lawsuit against Iraqi Embassy for failing to make rent payments totaling 350 million yen

MAINICHI (Page 27) (Abridged)
June 4, 2009

A real estate company has filed a lawsuit with the Tokyo District Court against the Iraqi government for failing to pay about half of the rent for more than 11 years on a building which the Iraqi government had been using as its embassy. The company is seeking the Iraqi side to pay approximately 350 million yen. The case was brought last October, but according to the company's lawyer, a hearing was held yesterday for the first time. The lawyer said that since such procedures were being taken as sending a complaint to the

Iraqi government through the Foreign Ministry, the process has been protracted.

According to the complaint, both sides concluded a lease on a six-floor building (with total floor space of about 850 square meters) in Akasaka, Tokyo, in November 1982 at a monthly rent of about 4 million yen a month. Through a review carried out every two months, the rent was raised to about 5.8 million yen in June 1994. Since then, the Iraqi government paid only 3 to 3.5 million yen a month.

The company pressed the Iraqi side to pay the balance in March 2003. Two months later, the Iraqi government admitted it had not paid the full amount and sent a reply asking for a deferred payment. But the bill has not been paid since then, either. The company has asked the embassy to pay approximately 353 million yen, an amount worked out deducting 24 million yen paid as a deposit deducted from the unpaid rent worth 377 million yen as of January 2006.

The Iraqi Embassy moved to Takanawa, Minato Ward, in February 2006. The old embassy building has been torn down.

11) Aso communicates with astronaut Wakata

SANKEI (Page 5) (Full)
June 4, 2009

Prime Minister Taro Aso communicated with astronaut Koichi Wakata, currently onboard the International Space Station, at the Prime Minister's Office for about 20 minutes yesterday.

Asked by Aso about how he spends his time off, Wakata said: "I usually watch the Earth from a window or read books." Aso replied: "That's much better than how I spend holidays as a prime minister." Hearing one of the students at the elementary school in Saitama Wakata attended saying: "I want to go to space for the purpose of sightseeing," Aso said: "I also do not want to stay in such a place for as long as two months. I am interested in staying there for a few days."

12) Internal Affairs and Communications Minister Hatoyama hints at resignation if Japan Post President Nishikawa reappointed

SANKEI (Page 3) (Excerpts)
June 4, 2009

A behind-the-scenes battle over whether Japan Post President Yoshibumi Nishikawa should be reappointed has now turned into a

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hopeless mess in the government and ruling parties. Internal Affairs and Communications Minister Kunio Hatoyama, who is involved in a heightened confrontation with Nishikawa over such issues as the selling of Kampo no Yado hotels (to leading company Orix Corp.), said yesterday: "It is only natural for Mr. Nishikawa to resign. I will not compromise my creed." He revealed that even if Nishikawa is reappointed at a shareholders' meeting on June 29, he will not accept it. He then hinted that he might quit his post if Nishikawa is reappointed. Meanwhile, many in the government and ruling coalition have said that Nishikawa should not be replaced as long as he has no intention to step down. Should Hatoyama take strong measures, the government and ruling camp might descend into chaos. In an attempt to resolve the issue, Prime Minister Taro Aso instructed to Chief Cabinet Secretary Takeo Kawamura and other officials to persuade Hatoyama. However, the coordination efforts have encountered difficulties. The issue will create problems for the future whether Aso backs Hatoyama or Nishikawa. There is little time left for Aso to make a final decision on the matter.

In front of his private residence in Bunkyo Ward, Tokyo, Hatoyama told reporters yesterday morning: "Words of a politician carry much weight. I will not bend my principles. I want you to understand what I mean by this. It's a serious matter, but I want to stay positive about it." He hinted that he would prevent Nishikawa from being reappointed, risking his resignation from his current post. He then got on the car with a look of relief on his face

At noon on June 3 in Yurakucho, Tokyo, asked by reporters whether he would resign (if Aso reappointed Nishikawa), Hatoyama looked uncomfortable and said: "Why do you think I should step down?" He continued:

"Since there are many problems involving Japan Post that we cannot understand, it is only natural that Mr. Nishikawa will quit his post. I have the authority of approval. By using this authority, I will not approve his reappointment."

However, the situation surrounding Hatoyama has become increasingly severe day by day. Japan Post decided in an executive meeting on May 22 to let Nishikawa continue to serve in his post. Therefore, it is certain that Nishikawa will receive approval in the shareholder's meeting. If Hatoyama invokes his authority to overturn a decision by the shareholders, the government will be thrown into turmoil.

The ruling Liberal Democratic Party (LDP) is concerned that its relations with the business world will deteriorate. Three years ago, the government showed Nishikawa, former president of Sumitomo Mitsui Banking Co. and former president of the Federation of Bankers Association of Japan, special treatment to persuade him to serve as Japan Post president. If the government replaces him, it will be snubbed by the business circles.

In addition, some LDP members are still suffering from the wounds inflicted by the dissolution of the House of Representatives four years ago. The issue of whether Nishikawa will be reappointed or not will unavoidably develop into debate on the appropriateness of postal privatization. This will give the anti-mainstream group led by former LDP Secretary General Hidenao Nakagawa an excuse to remove Aso from office.

Therefore, LDP Election Strategy Council Deputy Chairman Yoshihide Suga and former Prime Minister Shinzo Abe, who have close ties to

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Aso, have repeatedly called on the prime minister to reappoint Nishikawa, citing that the postal privatization argument should not be rekindled.

It is said that Aso is leaning toward reappointing Nishikawa. But he does not want to make Hatoyama lose face because Hatoyama led the campaign for his three LDP presidential elections. Moreover, Hatoyama is an advocate of political realignment.

13) Dark cloud again hanging over Aso administration due to spat over Japan Post president, issue of hereditary candidates, and growing calls for early LDP presidential election

YOMIURI (Page 4) (Abridged slightly)
June 4, 2009

Internal Affairs and Communications Minister Kunio Yatoyama suggested that he might step down if he failed to block the reappointment of Yoshifumi Nishikawa as Japan Post Holdings Co. president, causing a new source of major trouble for the Aso administration. Many in the ruling bloc attribute this issue to a lack of coordination by Prime Minister Aso, and it is casting doubts about the prime minister's grip on his own party. Although Aso is seeking the right timing to dissolve the Lower House sometime between late June and mid-July, some in the Liberal Democratic Party (LDP) have begun calling for an early LDP presidential election. The environment surrounding the prime minister is becoming severe. A scenario for Lower House dissolution for a general election remains unclear.

Hatoyama is firm resolved to dismiss Nishikawa as Japan Post president. Asked by reporters yesterday morning if he would resign if Prime Minister Aso approved Nishikawa's reappointment, Hatoyama firmly said: "I will never change my belief. I hope you understand what I mean." Hatoyama told reporters again on the afternoon, "I will exercise my authorization power for a rightful cause, based on my belief."

Hatoyama's determination to fire Nishikawa comes from the belief that public opinion is on his side, according to a Hatoyama aide. Hatoyama objected to a plan to sell off Kanto no Yado inns, and a murky bidding process eventually came to light. That was followed by a series of irregularities in the postal group. Hatoyama firmly believes that the top leader must take responsibility for all those scandals.

Many members in the ruling bloc do not share Hatoyama's view. LDP Senior Deputy Secretary General Nobuteru Ishihara yesterday expressed his support for Nishikawa's reappointment.

Many of the irregularities resulted from problems that existed before the postal system was privatized. In addition, because Nishikawa was handpicked by former prime minister Junichiro Koizumi, many are defensive of Nishikawa in the judgment that firing him would be tantamount to rejecting the Koizumi reform drive.

A New Komeito executive took this view: "Minister Hatoyama is not necessarily strong in elections. He has won public support over the Kanto no Yu issue, so he must have decided to march toward the next election along this policy course."

Prime Minister Aso said to his aides, "The government must stay away
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from personnel affairs of the private sector." Aso is apparently cautious about firing Nishikawa. At the same time, he is reportedly expecting Nishikawa to step down voluntarily.

Meanwhile, some have suggested that the prime minister's hands-off approach has aggravated the situation. An LDP Upper House executive noted yesterday: "The prime minister should have called in Mr. Nishikawa to bring the matter to a conclusion in person. Instead, he has left the matter unaddressed and passed up the right timing for a settlement."

With the next Lower House election approaching, there is strong discontent in the party with the way the prime minister runs his administration, in addition to the Japan Post issue.

Faction leaders are desperately trying to discourage a signature-collecting drive for moving up the LDP presidential election. But Lower House member Taku Yamamoto, who is spearheading the drive, indicated yesterday that the drive has won a certain level of support, saying, "Signatures have been collected from more than 10 lawmakers. We have also received over 300 encouraging letters from rank-and-file party members."

Some in the LDP are also concerned about public reaction to the party's decision to postpone a plan to restrict hereditary candidates. The administration's foundation has begun to falter. "The Lower House election should be postponed as much as possible," a ruling party member said.

14) DPJ's Kan makes personal proposal for new government initiative, including having party executives join the cabinet, banning bureaucrats from lobbying for certain policies

YOMIURI (Page 4) (Full)
June 4, 2009

Democratic Party of Japan (DPJ) Deputy President Naoto Kan will publish his personal proposals for initiatives to run a new DPJ government. The essay will come out in the July issue of Chuokoron, which will go on sale on June 10. The main points of his proposals consist of the party's secretary general and Policy Research Committee chairman serving concurrently in the cabinet to unify the cabinet and the party, and a shifting from bureaucrat-led policymaking to political leadership in the policy process.

Kan points out that, "The main reason why Japan is in a stalemate is because there is too much concentration of political and economic power, and the local communities have lost their vitality." He emphasizes that a DPJ administration would transfer authority from the central bureaucracy at Kasumigaseki to local governments and

that breaking down bureaucrat-led politics, which is the "greatest obstacle" to this, is an urgent task.

Specifically, he calls for reforms based on the British model. In order to rectify the situation where cabinet meetings are a mere formality, he proposes the creation of "ministerial committees" where a small number of concerned cabinet ministers will discuss particular issues and present their conclusions to the cabinet meeting. Budget formulation will be led by the "ministerial committee on the budget." Bureaucrats will be banned from lobbying for policies with ruling and opposition party Diet members, while the discussions at the vice ministers' meeting will only be regarded

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as suggestions. With regard to Diet affairs, he proposes a departure from the current practice of the cabinet not being directly involved with Diet affairs. The party's secretary general, who will join the cabinet as a minister without portfolio, will take charge of steering Diet affairs.

He also points out that when the new government is inaugurated, if the cabinet is formed after the election of the prime minister in the Diet without adequate coordination of views among the ministers, it is highly possible that bureaucrats will have the upper hand in policymaking. He says that it is important that either preparations to form the cabinet take place before the prime minister's election or a few days is spent on cabinet formation after the prime minister's election.

DPJ President Yukio Hatoyama intends to encourage a debate on Kan's personal proposals in the party and have the outcome reflected in the DPJ's manifesto for the next House of Representatives election. Kan will visit the UK from June 6 and flesh out his proposals further based on the situation there.

15) Tokyo, Beijing to set up working team on intellectual property rights

MAINICHI (Top Play)
June 4, 2009

Following a flood of illegal copies of Japanese products hitting the Chinese market, the governments of Japan and China have agreed to jointly set up a working team to discuss a system of protecting intellectual property and settling problems involving infringements on such rights. This is the first time for Japan and China to set up a framework for discussions by experts on intellectual property rights in general, such as copied products and infringements on registered trademarks. Economy, Trade and Industry Minister Toshihiro Nikai and his Chinese counterpart Commerce Minister Chen Deming will exchange memorandums on the sidelines of the Japan-China High-Level Economic Dialogue to be held in Tokyo on June 7.

Concerning the intellectual property rights issue, Japanese companies whose rights were violated have been filing complaints over individual cases. However, this has not led to a fundamental solution because such offenses have occurred repeatedly even after the lawsuits had been filed. The working team will hold its first meeting before year's end, bringing together related government agencies of both countries, such as METI and the Chinese Ministry of Commerce. Since the point of contact covers several government agencies of both countries, holding such a working team will enable cross-sectional talks.

Triggered by its entry into the World Trade Organization (WTO) in 2001, the Chinese government has started strengthening its protection of intellectual property rights. It finds it imperative to take measures to counter the increasingly ingenious tricks used to make copied products. Concerning registration of trademarks, the Chinese law prohibits the registration of widely known names of places. However, there is no end to applications for the registration of names such as "Yokohama," "Matsuzaka Beef" or similar words.

When the word "Aomori" was registered, Aomori Prefecture filed a complaint and its petition was granted after discussions that lasted

for nearly five years. However, another registered trademark similar to "Aomori" was found immediately after the settlement. As such, the cat-and-mouse game continues.

A senior government official explained, "Companies or local governments are limited in what they can do even if they file lawsuits, because they are costly and time-consuming and in many cases accused companies do not take any improvement measures.

The setting up of the working team is designed to strengthen the monitoring of illegal activities, involving the Chinese authority as well, and promoting assistance to victim companies and local governments with the development of a system designed for an early settlement of disputes.

16) Government to set fiscal reconstruction goal based on new milestone, debt-to-GDP ratio

YOMIURI (Page 1) (Full)
June 4, 2009

The government decided yesterday to use the ratio of public debt to the nation's gross domestic product (GDP) in setting a goal for fiscal reconstruction. Under the current policy, top priority is placed on achieving a primary balance surplus. The government will work out details, such as a numerical target and the timing for achieving it, and incorporate them in its annual economic and fiscal policy guidelines for 2009, which are to be finalized by the end of this month.

A private-sector member of the Council on Economic and Fiscal Policy, chaired by Prime Minister Aso, presented this plan during its meeting yesterday, and the plan was approved. The panel will work out a numerical target to be attained in the next 10 years.

The government has put forth since 2006 the fiscal reconstruction goal of turning the primary balances of the central and local governments into the black by fiscal 2011.

Speaking before reporters after the meeting, Finance Minister Yosano, who also serves as economic and fiscal policy minister, said: "The attainment of the goal of turning the primary balances into the black will be delayed to early in 2020."

The delay is attributed to a decrease in tax revenues and an increase in fiscal disbursements to fund economic stimulus measures in the wake of the global recession, which broke out last fall. Upon confirming the need growing for raising the consumption tax, the government will review ways to forge ahead with fiscal reconstruction efforts in the process of setting a new target.

ZUMWALT